

Message Text

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PAGE 01 LONDON 01698 01 OF 02 061821Z

51

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 NEA-11 AF-10 SAB-01 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 FEA-02 OMB-01 SAM-01 DRC-01 /218 W

----- 081941

R 061807Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7756

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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USMISSION EC BRUSSELS

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LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 01698

E.O. 11652: N/A

TAGS: ETRD, EEC, UK

SUBJECT: EC MEDITERRANEAN POLICY: AD HOC ARRANGEMENTS

REF: (A) STATE 15683, (B) EC BRUSSELS 473

BEGIN SUMMARY IN ACCORDANCE WITH REF A, WE INQUIRED ABOUT THE UK'S AD HOC ARRANGEMENTS FOR TRADE WITH VARIOUS MEDITERRANEAN COUNTRIES AT THE DEPARTMENT OF TRADE AND INDUSTRY AND THE MINISTRY OF AGRICULTURE.

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PAGE 02 LONDON 01698 01 OF 02 061821Z

THE UK HAS ESTABLISHED A PARTIAL STANDSTILL, WHICH HAS

BEEN IN EFFECT SINCE JANUARY 1. WHERE UK ALIGNMENT WITH THE CXT INVOLVES AN INCREASE IN DUTIES, THE UK IS LEAVING DUTIES ON IMPORTS FROM THE MEDITERRANEAN COUNTRIES INVOLVED AT 1973 LEVELS. WHERE ALIGNMENT INVOLVES A DOWNWARD MOVEMENT, THE UK IS TREATING THE MEDITERRANEAN COUNTRIES LIKE OTHER THIRD COUNTRIES (E. G., LIKE THE U.S.) BRITISH OFFICIALS RECOGNIZE THAT THIS ARRANGEMENT IS NOT CONSISTENT WITH GATT (IT IS NOT BEING NOTIFIED TO THE GATT). THEY POINT OUT THAT IT IS A TEMPORARY, EMERGENCY MEASURE THAT WILL BE WITHDRAWN WHEN THE COMMUNITY WORKS OUT INTERIM OR DEFINITIVE AGREEMENTS. THE BRITISH SUPPORT THE VIEW (REF B) THAT THE PROCESS OF WORKING OUT EVEN INTERIM EC AGREEMENTS WITH THE MEDITERRANEAN WILL BE A SLOW ONE.
END SUMMARY

1. IN THE ABSENCE ON JANUARY 1 OF INTERIM OR DEFINITIVE TRADE AGREEMENTS BETWEEN THE ENLARGED COMMUNITY AND A NUMBER OF MEDITERRANEAN COUNTRIES, THE UK UNILATERALLY IMPLEMENTED A PARTIAL STANDSTILL. THIS ARRANGEMENT APPLIES TO IMPORTS FROM SPAIN, ISRAEL, ALGERIA, MOROCCO, TUNISIA, GREECE, LEBANON AND MALTA. (LEBANON IS ABOUT TO BE REMOVED FROM THIS LIST WITH THE ENTRY-INTO-FORCE OF A PROTOCOL ADAPTING THE EC-LEBANON AGREEMENT TO TAKE ACCOUNT OF THE ENLARGEMENT OF THE COMMUNITY.)

2. THE UK IS APPLYING THE SAME DUTIES TO IMPORTS FROM THESE COUNTRIES THAT IT APPLIED BEFORE JANUARY 1, 1974, EXCEPT WHERE THE CXT RATE IS LOWER THAN THE UK'S 1973 MFN RATE. IN THE LATTER CASE, THE UK IS LOWERING ITS DUTIES ON IMPORTS FROM THESE COUNTRIES IN ACCORDANCE WITH THE TRANSITIONAL ARRANGEMENTS IN THE EC ACCESSION TREATY, I.E., ON JANUARY 1 IT RE-

DUCED BY 40 PER CENT THE DIFFERENCE BETWEEN THE UK'S 1973 MFN RATE AND THE CXT "THIRD COUNTRY" RATE (NOT THE PREFERENTIAL RATE THAT THE COMMUNITY APPLIES TO IMPORTS FROM THE MEDITERRANEAN COUNTRIES INVOLVED)

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PAGE 03 LONDON 01698 01 OF 02 061821Z

EM OFFICIALS IN THE DEPARTMENT OF TRADE AND INDUSTRY AND THE MINISTRY OF AGRICULTURE UNOFFICIALLY EXPLAINED THE RATIONALE FOR THIS PARTIAL STANDSTILL AS FOLLOWS: ON JANUARY 1, WITH THE EXPIRATION OF THE SPECIAL 1973 PROTOCOLS GOVERNING THE TRADE OF THE NEW EC MEMBERS WITH THE MEDITERRANEAN, THE UK WAS FACED WITH A LEGAL VOID. IT DID NOT LIKE THE INTERIM ARRANGEMENTS UNDER CONSIDERATION IN THE COMMUNITY, BECAUSE

THESE WOULD HAVE INVOLVED INCREASES IN BRITISH DUTIES ON FRUITS AND VEGETABLES FROM SPAIN AND ISRAEL, AGGRAVATING THE DOMESTIC POLITICAL PROBLEM OF HIGH FOOD PRICES. THE MEDITERRANEAN COUNTRIES HAVE IN ANY CASE SHOWN NO INTEREST IN THE INTERIM AGREEMENTS UNDER CONSIDERATION.

4. THE PARTIAL STANDSTILL WAS A WAY TO AVOID BOTH HIGHER FOOD COSTS AND THE PROBLEM OF RAISING TARIFFS WHICH WOULD HAVE TO BE LOWERED LATER. A COMPLETE STANDSTILL (ON DOWNWARD TARIFF MOVEMENTS AS WELL AS UPWARD ONES) WAS REJECTED BECAUSE IT WOULD HAVE MEANT TREATING EC ASSOCIATES LESS FAVORABLY THAN THIRD COUNTRIES. THIRD COUNTRY TREATMENT FOR THE MEDITERRANEAN WAS REJECTED BECAUSE OF THE PROBLEM

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PAGE 01 LONDON 01698 02 OF 02 061818Z

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 01698

OF RAISING TARIFFS THAT WOULD HAVE TO BE REDUCED
LATER. THE UK APPLIES A SIMILAR PARTIAL STANDSTILL
TO ITS TRADE WITH THE YAOUNDE ASSOCIATES, PENDING
COMPLETION OF A NEW ASSOCIATION AGREEMENT.

5. THE UK HAS NOT NOTIFIED ITS PARTIAL STANDSTILL
FOR THE MEDITERRANEAN TO THE GATT, AND, ACCORDING
TO OUR SOURCES AT DTI, IT DOES NOT INTEND TO DO SO.
OUR SOURCES ACKNOWLEDGE THAT THIS ARRANGEMENT IS NOT
CONSISTENT WITH THE SPIRIT OR THE LETTER OF GATT, BUT
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PAGE 02 LONDON 01698 02 OF 02 061818Z

IF CHALLENGED, HMG WILL ARGUE THAT IT IS A TEMPORARY
EMERGENCY MEASURE THAT WILL BE WITHDRAWN AS SOON AS
THE COMMUNITY HAS CONCLUDED INTERIM OR DEFINITIVE
AGREEMENTS.

6. OUR SOURCES SAY THAT THE COMMISSION, FRANCE AND
ITALY ARE PUTTING CONSIDERABLE PRESSURE ON THE UK TO
AGREE TO A MANDATE FOR INTERIM AGREEMENTS. THEY
BELIEVE THAT SUCH AGREEMENTS WILL NOT BE CONCLUDED
RAPIDLY, HOWEVER, CITING THE REASONS SET FORTH IN
REF B.

7. WE ARE FORWARDING BY AIRGRAM THE TEXT OF THE
BRIEF STATUTORY INSTRUMENT WHICH PUT THE PARTIAL
STANDSTILL INTO EFFECT.

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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
Disposition Event:
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